



FORECASTING 101

DEPARTMENT OF MEDICAL
ASSISTANCE SERVICES (DMAS)

Agenda

- ❑ Forecasting 101
- ❑ National Context
- ❑ Why does the Forecast matter?
- ❑ Virginia Consensus Forecast
- ❑ The Forecast in Five Steps
- ❑ Improvements to the Forecast

Forecasting 101

Forecasting can be done throughout the year for a variety of purposes, contracts, cost estimates, and year end tracking



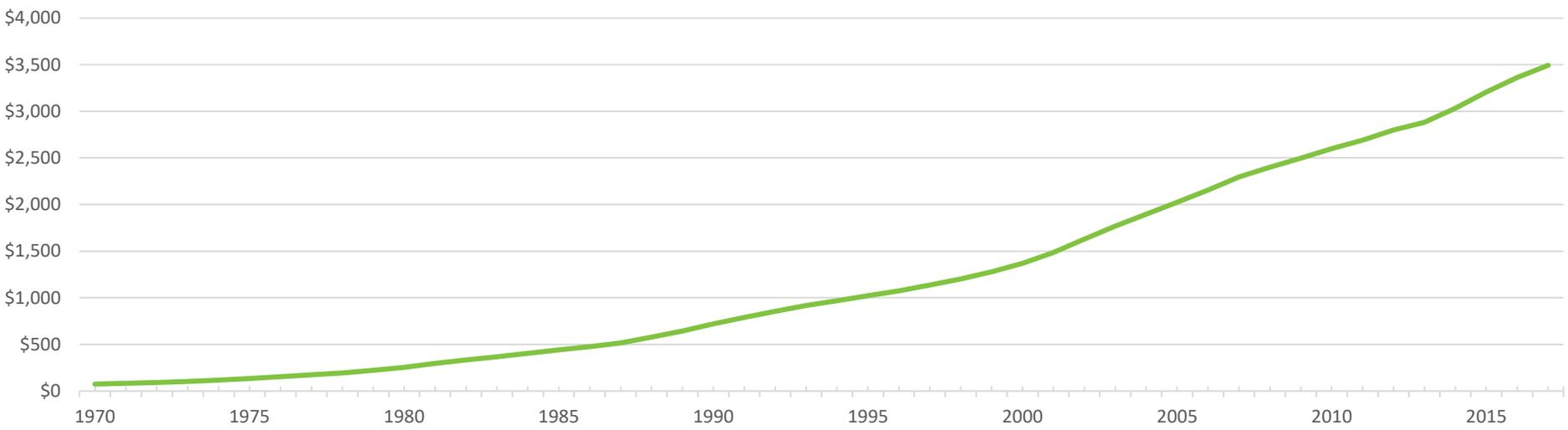
forecast [fawr-kast, -kahst, fohr-]

: to calculate or predict (some future event or condition) usually as a result of study and analysis of available pertinent data

Source: Merriam-Webster dictionary

National Context

Total National Health Expenditures (US, \$ Billions)
1970-2017



Source: Kaiser Family Foundation analysis of National Health Expenditure (NHE) data • [Get the data](#) • [PNG](#)

Category	Medicaid	Medicare	Private Insurance
Enrollment	4.3% per year	2.8% per year	< 1% per year
Spending per Enrollee	1.6% per year	2.4% per year	4.4% per year

Source: Robert Wood Johnson Foundation: "Slow Growth in Medicare and Medicaid Spending Per Enrollee Has Implications for Policy Debates", February 11, 2019

Why Does the Forecast Matter?

- Provide the Commonwealth with the best possible picture of future medical needs to support the Medicaid program.
- Plan the funding necessary to support Medicaid program medical costs.
- Identify cost drivers so that policy and decision makers can address any issues that arise.



Virginia Consensus Forecast

- **What is it?**
 - Expected Medical expenditures—*not Administrative*— for the rest of the **current** fiscal year plus the **following two** fiscal years
 - Identifies costs for the Medicaid program as it exists today

Virginia Consensus Forecast

- **Who is it for?**



Governor of Virginia



Federal Reporting



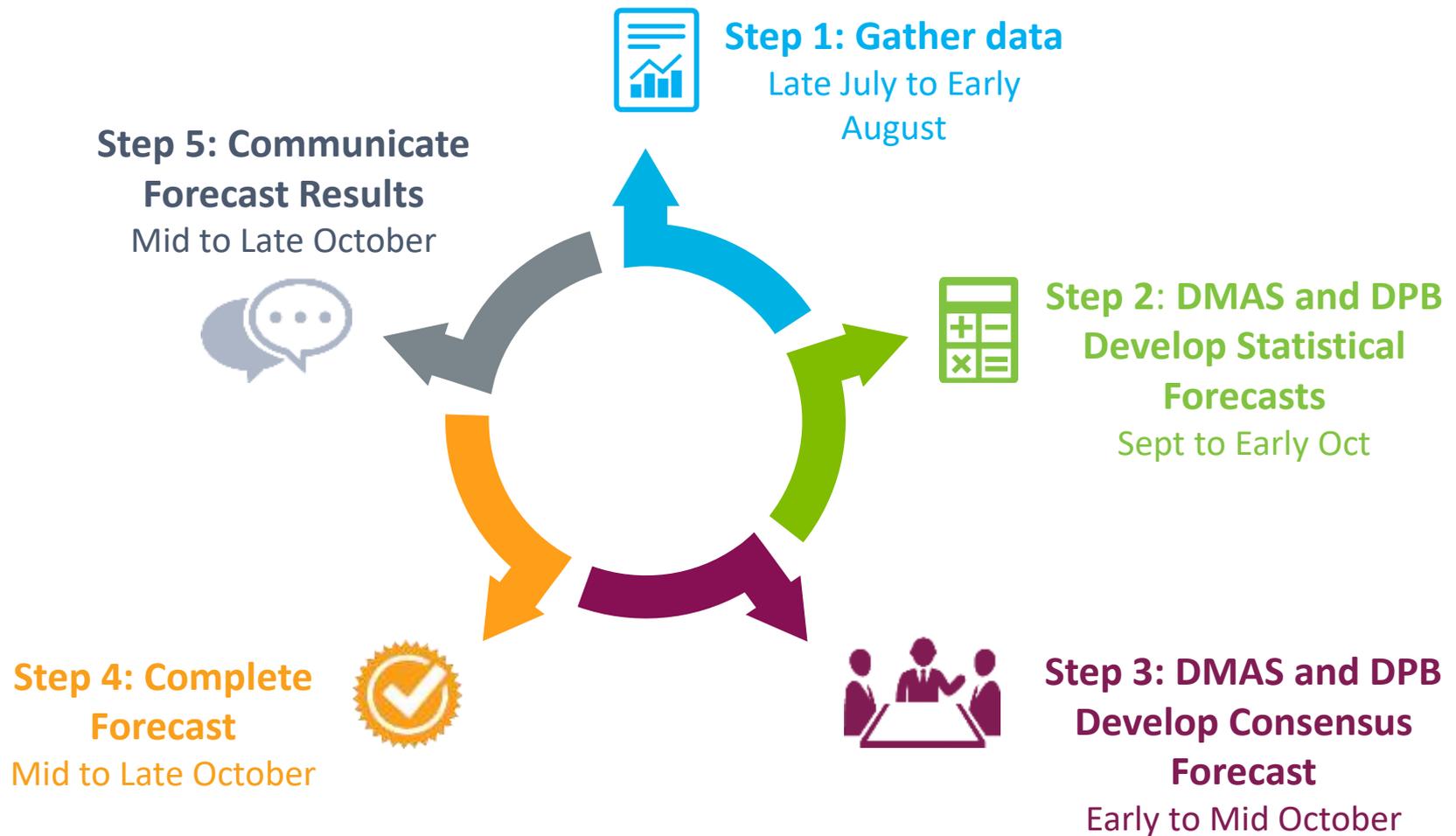
**House Appropriations
Committee**

**Senate Finance
Committee**



Other Stakeholders

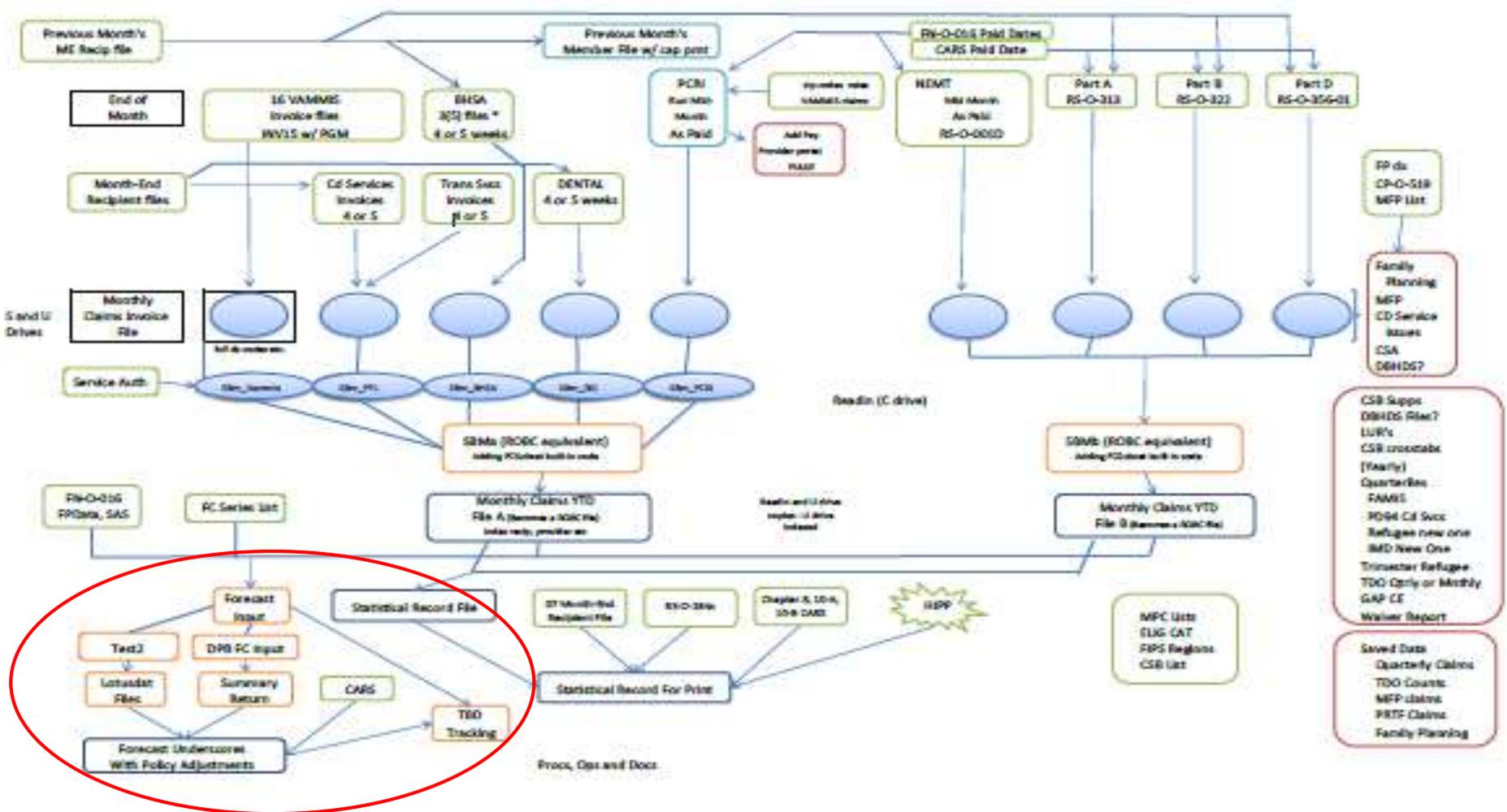
The Forecast in Five Steps





STEP 1: GATHER THE DATA

Step 1: Gather the Data



Step 1: Gather the Data

HEALTH INSURANCE CLAIM FORM

1. **MEDICARE** (Medicare #) **MEDICAID** (Medicaid #) **TRICARE/CHAMP** (Sponsor)

2. PATIENT'S NAME (Last Name, First Name)

5. PATIENT'S ADDRESS (No)

Step 1: Gather the Data

- **Managed Care (11)**
 - Medallion Series:
 - Adults
 - Children
 - Adoptive Assistance
 - Foster Care
 - CCC+ Series:
 - Developmentally Disabled
 - Nursing Home Eligible
 - Community
 - Technology benefit
- **Fee For Service (85)**
 - Inpatient Hospital
 - Outpatient Hospital
 - Physician/Practitioner
 - Clinic
 - Pharmacy
 - Medicare Premiums
 - Nursing Facilities
 - Personal Care
 - Community Waiver
 - Waiver Support
 - Behavioral Health, Early Intervention, and others
 - Other

POP QUIZ!

- 1) What is the first step in the DMAS Forecast process? **Gather data (data book)**
- 2) What is the trajectory for health care spending nationally? 



STEP 2: DEVELOP STATISTICAL FORECASTS



Step 2: DMAS/ DPB Develop Statistical Forecasts

- Expenditures = (Units x Cost per unit) + *Non-claims based payments, or addpays*

# Units	Cost Per Unit	Addpays	Expenditures
10	\$90	\$100	\$1,000
20	\$100	\$20	\$2,020

- DMAS sends the previous year's data to DPB



STEP 3: DEVELOP CONSENSUS FORECAST



Step 3: Develop the Consensus Forecast

- DMAS and DPB compare results, discuss differences and identify necessary revisions
- Once all revisions are completed, the two independent forecasts are averaged



DMAS forecast

Consensus forecast

DPB forecast

STEP 4: COMPLETE THE FORECAST



Step 4: DMAS Completes Forecast

DMAS makes other adjustments to reach total expenditures for forecast:



General Assembly (GA) Actions: Program or policy changes such as new services and new populations (e.g., Medicaid Expansion)



Lump sum payments to Disproportionate Share Hospitals (DSH), graduate medical education (GME) hospitals, and intergovernmental transfers



Pharmacy rebates



Managed Care (MC) rate change estimates

Step 4: DMAS Completes Forecast

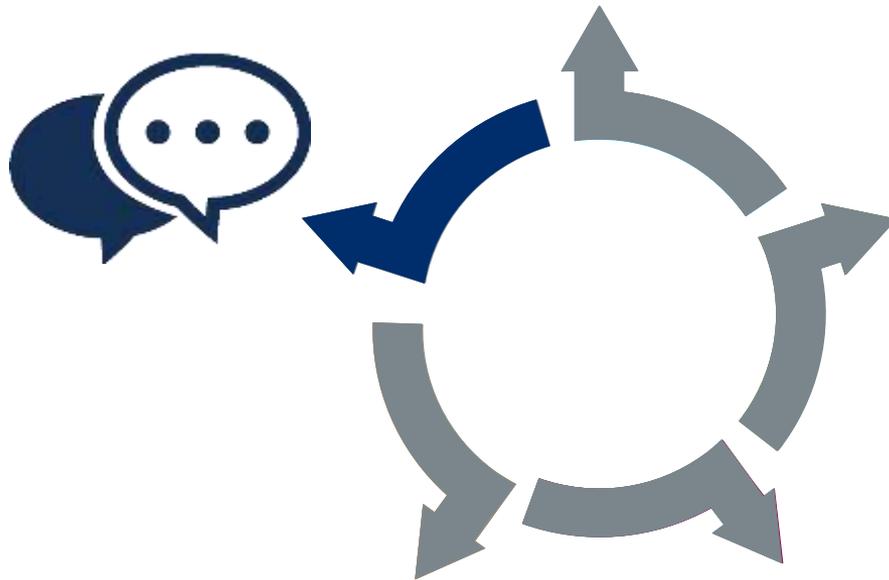
- Add it all up

Consensus + GA Actions + MC Rate Changes

- Compare to current appropriations
- Analyze the changes



STEP 5: ANNOUNCE FORECAST RESULTS



Step 5: DMAS Announces Forecast Results



Presentation of preliminary assumptions to DPB and legislative budget staff



Forecast presentation to DPB



Forecast presentation to Governor's office



Forecast presentation to House Appropriations Committee Staff & Senate Finance Committee Staff

Improvements to the Forecast

- Milliman Rate Setting and Forecasting Review

Review Highlights

Continue

- Developing knowledgeable internal staff
- Education for internal and external stakeholders

Expand

- Monitoring of forecast variances
- Documentation of forecast process and assumptions

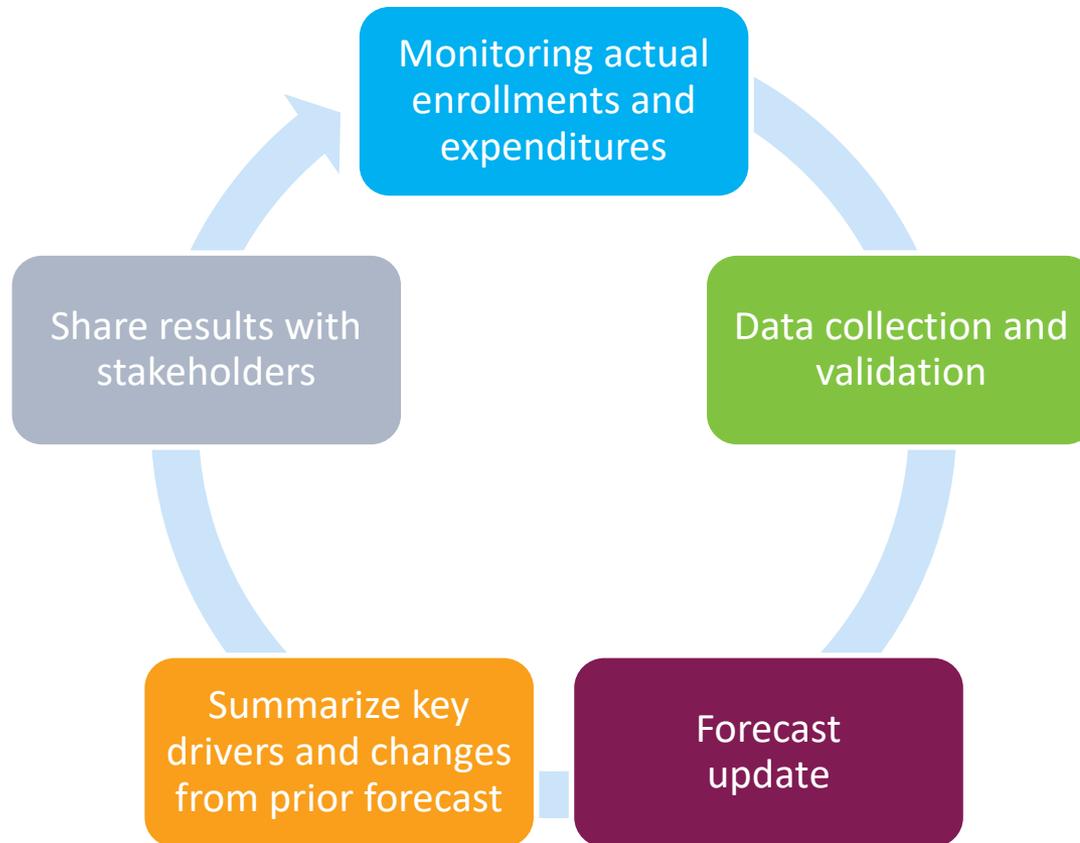
Start

- Performing forecast updates more than one per year
- Formalizing layers of internal review
- Being proactive in external communications

Ten recommendations included in report to improve the understanding, communication, and transparency of the forecast

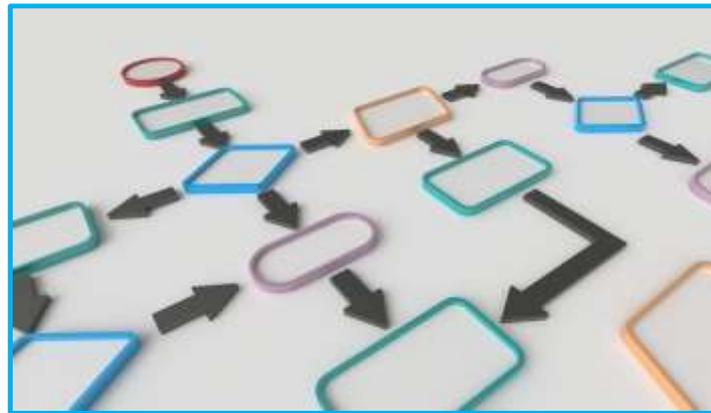
Improvements to the Forecast

Best Practice Forecast Process



Improvements to the Forecast

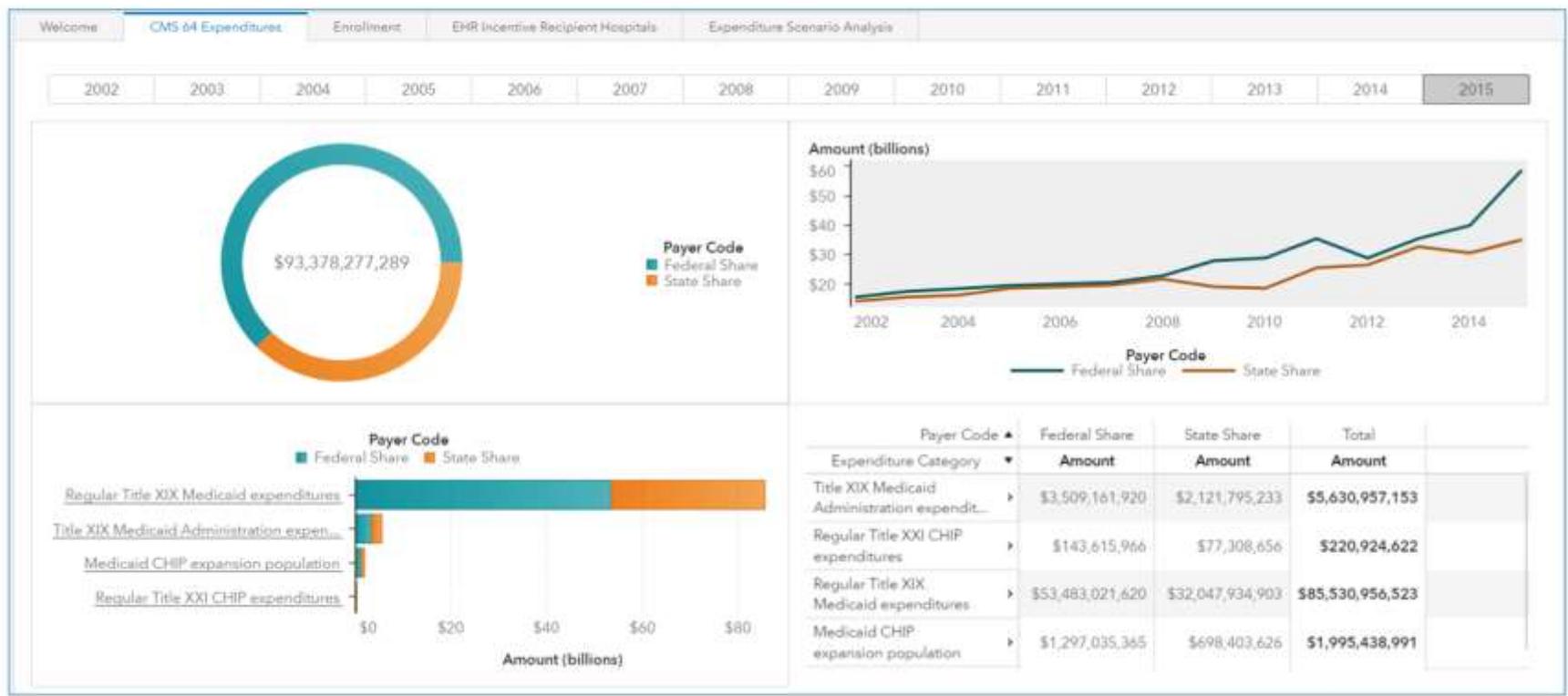
- How do we get the **most value** out of every dollar invested in Medicaid?



Improvements to the Forecast

Sample “MOCK” dashboard only. Not actuals.

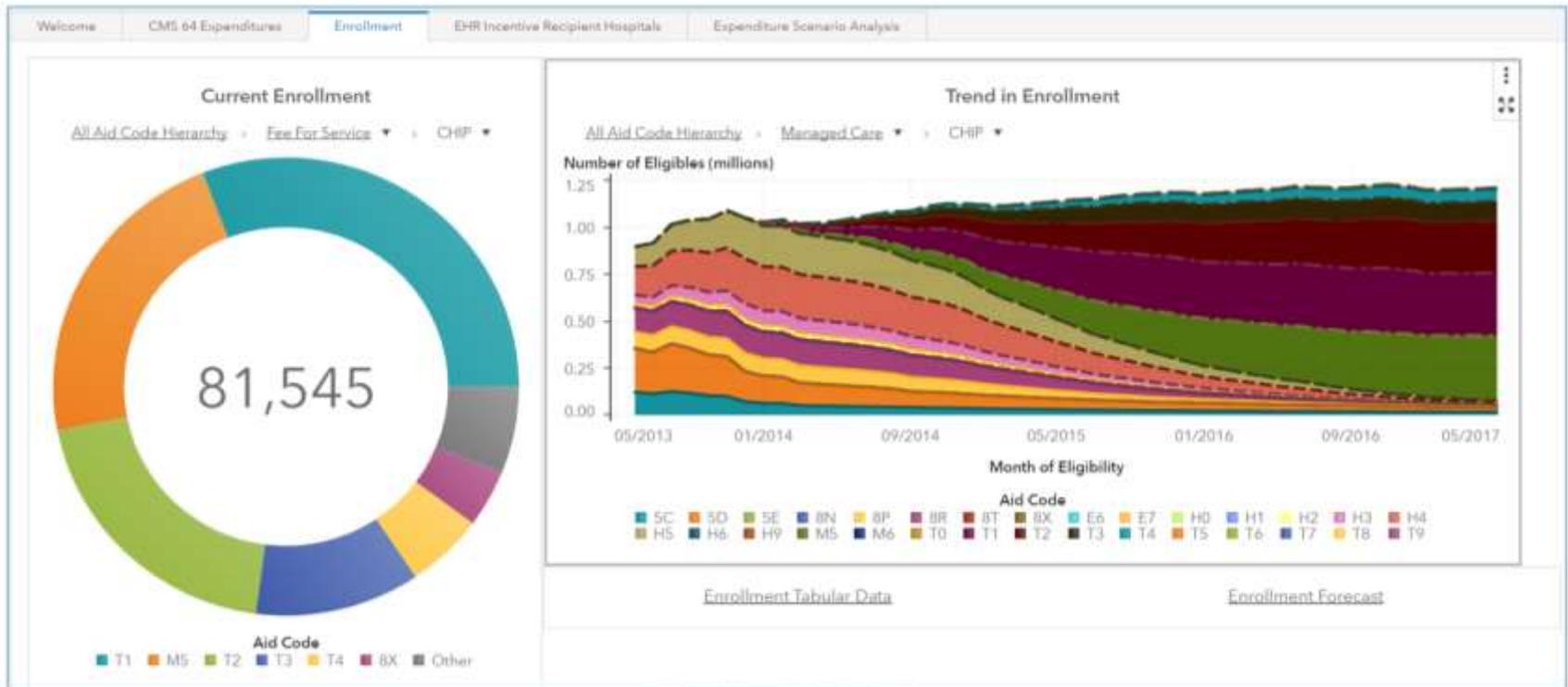
Expenditures



Improvements to the Forecast

Sample “MOCK” dashboard only. Not actuals.

Enrollment



Improvements to the Forecast

	DMAS Finance	DMAS Program	DMAS Leadership	Dept. of Planning & Budget	Joint Legislative Audit & Review Commission	Senate Finance & House Appropriations	HHR & Finance Secretariats
External Financial Review Council							
Internal Financial Review Council							
Rate-setting Cross-cutting Team							
Forecast Cross-cutting Team							